THE MAGAZINE FOR
GROWING COMPANIES

FEB. 1991

®

WHY YOU SHOULD BUY A BUSINESS NOW

SEE PAGE 36

STEAL THIS STRATEGY

How to grow using the best ideas from other companies

PLUS:

The ideal collection letter
Searching for hidden cash
Controlling legal costs

STEPHEN McDONNELL DECIDED TO BUY, NOT LAUNCH, A BUSINESS

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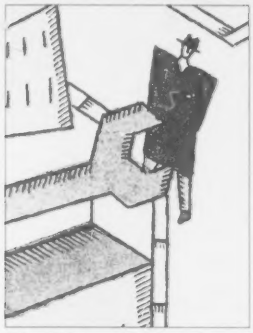
INC. COVER STORY



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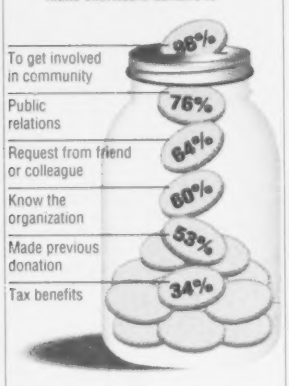
HANDS ON

A MANAGER'S NOTEBOOK

CORPORATE PHILANTHROPY

I GAVE AT THE OFFICE

Why small-business owners make charitable donations



Note: Total is higher than 100% because of multiple answers.

Source: "Corporate Charitable Contributions: Among Small, Privately Owned Businesses in San Francisco," a survey of 75 firms with 100 employees or fewer. Institute for Nonprofit Organization Management, University of San Francisco, 1990.

SELLING

Less is beautiful

Making a huge sale is great. But joy turns to regret if your customer gets stuck with merchandise and never orders again. "We don't believe in onetime deals," says Emery Klein, CEO of Alaron Inc., a $33-million electronics importer and custom product designer. So the Troy, Mich., company encourages customers to order less so their cash isn't locked up in inventory.

"We advise them to buy conservatively, and if the promotion goes well, we tell them, 'We'll be here for you,'" says Klein. When stores run low on an item, they can depend on Alaron to meet their needs, with delivery in about 10 days. "I'm a hero if customers have sold out rather than overbought. In the long run we end up selling more." ❑

MERGERS AND ACQUISITIONS

Trust me on this

When companies merge, the "acquired" employees are often uneasy about their new boss and their own job security. The result: lost productivity and low morale. To avoid that pitfall, Bruce Mancinelli, CEO of VM Systems Group Inc., a $10-million software company in Vienna, Va., conducted welcome interviews to make the new people feel at home.

On the day VM's acquisition of a division of Systems Center Inc. was announced, Mancinelli met with each of that company's 14 employees. He listened to their concerns and offered them official letters of employment, promising them their current salary, the same or similar job responsibilities, and comparable benefits. Within a week, all accepted.

"It's one thing to buy assets, another to get people involved," he says. "We wanted them to feel like contributors from day one." ❑

CUSTOMER SERVICE

Presidential hot line

There are customers out there who are simply afraid to complain—who'd rather switch companies than fight. The problem is, that can wreak havoc on repeat business and word-of-mouth advertising.

Clarke Otten, president of Professional Swedish Car Repair, in Atlanta, ferrets out nonconfrontational customers by telephoning all customers one week after they visit either of his two locations. He sets aside an hour or two a day to make 20 to 50 calls.

Customers remember that the president of the $1-million company called them and really feel serviced. And, "I can get them to admit what's bothering them and address the problem right on the spot," he says. The calls also keep his 12 employees on their toes. "They know I'm in touch with the front line and know better than to try to slip anything by," Otten says. ❑

Clarke Otten gives customers the personal touch—by phone.

INCENTIVES

Tailor-made rewards

If you rely on incentives to direct your team's efforts, thinking up new and different prizes can become a job in itself. Not so for Kirk Malicki, president of Pegasus Personal Fitness Centres, in Dallas.

When new physical-fitness trainers sign on with his personal-training company, he asks them to make a list of rewards, ranging in value from $25 to $200, that they'd like to receive for reaching weekly and monthly goals.

Instead of commonplace prizes, his 15 employees have opted for rock-concert tickets, limousine rentals, and half days off. Thanks in part to the customized incentives, sales have more than doubled since 1985. "They know what motivates them better than I do, so I just ask," says Malicki. ❑

RESOURCES

Good plan

Planning is the backbone of any successful start-up. But where do you begin? Try these three workbooks from the Oregon Small Business Development Center Network.

- *Your Business Plan* includes step-by-step instructions for preparing a business plan you can take to the bank. (A Spanish edition is available.)
- *Small Business Marketing* has a retail bent but is good for anyone just learning about topics such as media buying and advertising.
- *Your International Business Plan* outlines a method for expanding into overseas markets.

Each title is available for $14.95 from OSBDCN, 99 West 10th Ave., Eugene OR 97401-3017; (503) 726-2250. ❑

CHARTS: ELIOT BERGMAN; PHOTOGRAPH: LYN SILER

MANAGING PEOPLE

Office poll

Keeping participative-management promises with employees can be tricky. How can a manager delegate work and then give employees recognition for a job well done without making it sound as if it's coming down from on high? At Meridian Travel Inc., in Cleveland, CEO Cynthia Bender opted for a participative solution: turn pat-on-the-back duties over to the employees.

Once a month all 62 employees of the $21-million company write in their vote for who should be Employee of the Month. "Managers always have their favorites, but the employees know who pitches in and helps out," says Bender.

"It's important different departments don't become isolated," she says. "This makes employees notice others more and develops camaraderie." ❑

MARKETING

Picture this

A picture is worth 1,000 words or, more accurately, $23,000, says Saul Rowen, executive director of Cali-Camp Summer Day Camp, in Topanga, Calif.

To cut costs, Rowen, instead of sending out 16-page brochures that cost 72¢ apiece to produce and mail, now sends just the brochure cover along with photos of camp life and a response card that can be sent in to request a complete brochure. At a cost of 43¢ a package, this practice saves 40% of the cost for brochures.

"We're saving money, and we're hitting our exact market," says Rowen, whose mailing to 46,000 prospects yielded 23 new campers worth $1,000 a head. ❑

FINANCE

Stamp out debt

"When you send out a past-due statement, it makes for a nasty follow-up call," says Thom Holden, cofounder of Thom & Dave Marketing Design Inc., a five-employee firm with annual billings of $450,000, in Media, Pa. But a little humor can certainly help to melt the ice.

Holden and his partner, Dave Bell, created a "spread the wealth" rubber stamp for late notices. The bright green logo depicts two men playing tug-of-war with a dollar bill. "It warms up the conversation when I call," Holden says.

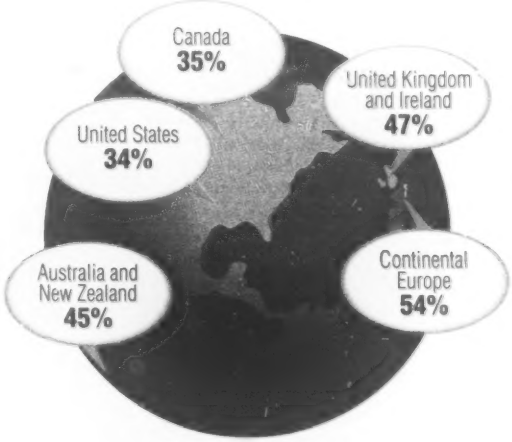
He and Bell came up with the idea when they started the company, 15 months ago, and were thinking of ways to help cash flow and speed up accounts receivable. With the exception of one client, bad debt hasn't been a problem for Thom & Dave. ❑

INTERNATIONAL

TECHNOPHOBIA

Do you have trouble operating a computer?

Percent reporting "inadequate skills"



Source: "The Twenty-First-Century Workplace" survey of 1,344 businesspeople working around the world. Priority Management Systems Inc., Vancouver, Canada, 1990

CEO'S READING LIST

Working, by Studs Terkel
Ballantine Books, 1985

"I agree with Studs Terkel's thesis in *Working* that people like working, try to do their best, and deserve more recognition. I want my people to understand that and not run roughshod over people. We will never have a time clock; we look at tasks completed rather than hours worked. I want to give people here the freedom to do their jobs.

"If you give a little recognition to your casual business acquaintances—the order-processing clerks, permit-review people, and receptionists—you'd be amazed to find out how much it means to them.

"As a general contractor we have contact with many people on a construction site. If you probe a little about the details of their jobs, you find they really do care about how well they perform.

"One of Terkel's interviews is with a hotel telephone operator. In her many years of working at the hotel she received one box of candy from a guest she regularly placed calls for. Years later she was still talking about that box of candy. It knocked me out.

"*Working* makes the people you see turn from urban camouflage into real people. I want our people to be able to *see* the people with whom they work."

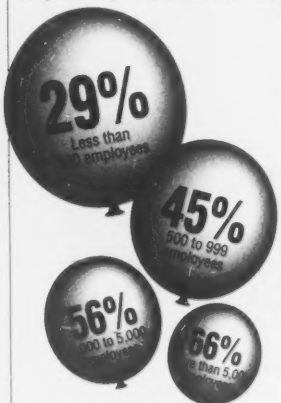
—Jack Nolan, CEO
Nolan Scott Inc.
Towson, Md.

HANDS ON

STRATEGIC PLANNING

DOWN THE ORGANIZATION

Companies that have downsized in the past four years (by company size)



Source: "Managing Change in the '90s —Revisited," a survey of 512 managers. Right Associates, Philadelphia, 1990.

RECRUITING

Reach out

When your line of business is out of line with your region's industrial base, finding skilled employees is nearly impossible. Karmak Inc., which manufactures software for the trucking industry, is located in Carlinville, Ill., far from any hub of the high-tech universe. As a consequence, local help-wanted ads for software-savvy employees bombed.

Desperate to build his staff, CEO Richard Schien appealed to the families and friends of prospective employees. "Do you know someone with these skills who would like to move to the area?" his new help-wanted ads read.

"Many people would love to live in the area but think there wouldn't be work for them," says Schien. "This extends the reach of the local papers." Schien ran the ad each week for seven months and filled 15 positions as a result. ❑

ON THE CHEAP

HELP AROUND THE OFFICE

By Cary Lu

Postal scales, binders, and label makers can help you perform basic office tasks. Good news: they've dropped in price.

■ **Digital-postal-scale** prices have dropped dramatically. The least expensive is Measurement Specialties' MS-12, which lists for $39.99 but sells for $25 from a variety of discounters. The MS-12 can weigh envelopes and packages of up to 33 ounces in 1/10-ounce increments. Hanson Scale, a division of Sunbeam, offers two low-cost scales, the 7205 ($84.95, list price), with a capacity of 5 pounds and 1/2-ounce increments; and the 7210 ($94.95), with a capacity of 10 pounds, increments of 1/4 of an ounce, and readings in ounces and pounds or grams. These models simply display the weight; they do not calculate the postage due. Pelouze Scale's PS2R1 scale ($145) calculates postal rates and displays both ounces and grams, but its capacity is limited to 2 pounds. Pelouze also has a noncalculating model, the PE5, which measures up to 5 pounds in 1/10-ounce and two-gram increments ($75).

■ **Binding machines** can turn a report into an attractively bound volume. Good binding machines used to sell for several hundred dollars, but VeloBind's DocuBind can put 112 sheets into a standard plastic comb binding. It costs just $179 ($100 at discount supply stores).

■ **Label makers** have been popularized on the high end by Kroy's lettering machines, which produce high-quality labels but cost between $229 and $2,195. On the low end, Esselte Pendaflex's inexpensive line of Dymo embossers, which produce raised letters on gooey plastic tape, range from $22 to $245.

Brother International's P-Touch III falls in between at about $249.95 ($150 at discount stores) and prints quality labels in a variety of styles and colors on white or clear tape. It has a small keyboard and a six-character LCD screen so you can do basic editing. Besides its utility, the P-Touch is fun. Keep it away from kids, though, unless you want to buy a lot of tape.

Neither label makers nor computer printers are good at printing a single address label. Most label makers are limited to a single line of characters, and printers are designed for full-size paper. The Seiko Instruments Smart Label Printer plugs into a computer and produces address-size labels one at a time. The tiny $249.99 ($200 from discounters) printer works only with a special label stock that comes in one size and costs about 3¢ a label. The Smart Label printer comes with software for either IBM PCs and compatibles or for Macintoshes. But if you have a Macintosh, look for the LabelWriter printer from CoStar (800-426-7827); it's the same Seiko printer for the same price, but CoStar's Mac software is more flexible. ❑

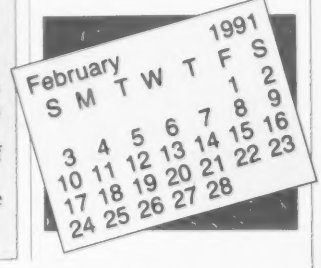
STRATEGIC PLANNING

The calendar method

How do you keep your employees focused on strategic goals? At Cleveland-based Globe Metallurgical Inc. managers use a master calendar that shows which team members are working on what. The calendar keeps the 30 managers at the $100-million-plus producer of metal alloys on track for the year and lets them know who they can go to for help.

On the calendar the blocks for each day contain shorthand references to Globe's five-year plan for improving quality and cutting costs. That plan is a 20-page list of nearly 100 numbered items. So one day's calendar entry might read, "#56—Curt Goins, visit Union Carbide Corp., perform supplier quality audit." Managers can refer back to the numbered plan for more details and deadlines.

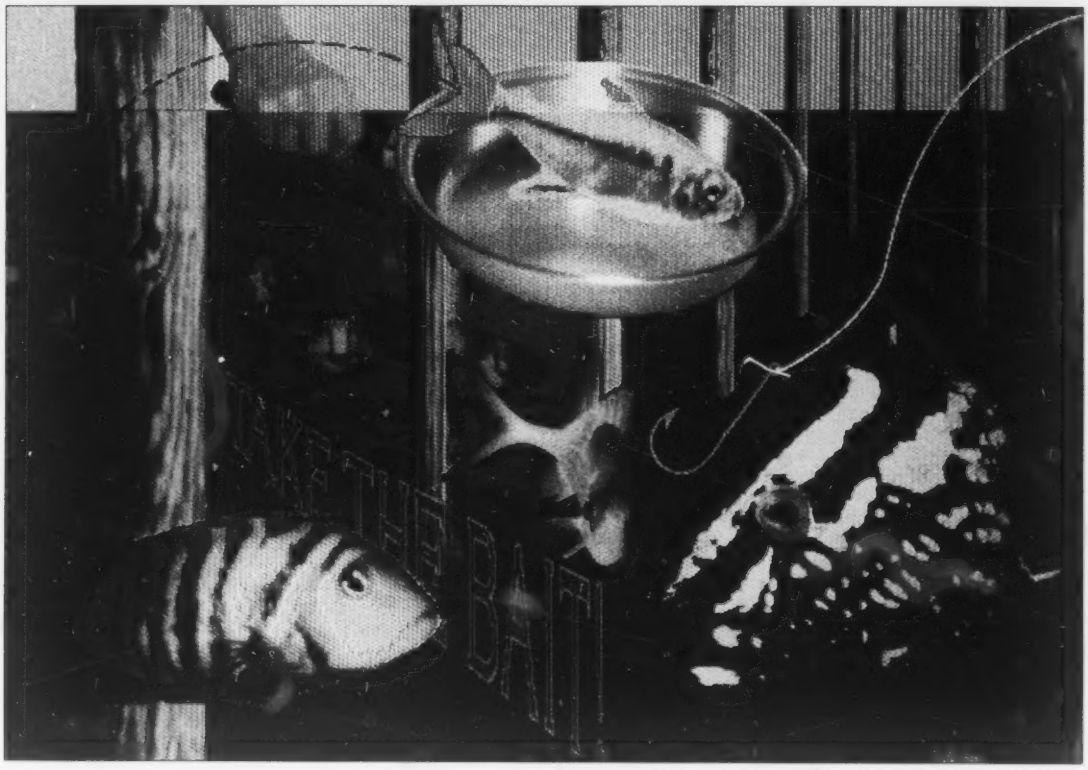
"It's not so much a matter of accountability as what we need to do and when," says Goins, who serves as director of quality at the 250-employee company. "The calendar prods you." Measures like this helped Globe win the Malcolm Baldrige National Quality Award in 1988. ❑



Reported by Teri Lammers, Alessandra Bianchi, and Susan Greco

ILLUSTRATION: BRUCE SANDERS

BUSINESS FOR SALE



FLA. FISHING PIER

THE BUSINESS An 825-foot fishing pier extending into the clear waters of the Gulf of Mexico. Visitors and locals from the tourist-rich, steadily growing region pay gate fees for the chance to land cobia, pompano, and blackfin tuna—some of which end up under the broiler in the walk-up restaurant that accounts for 60% of the pier's revenues.

FINANCIAL SUMMARY (in $ thousands)

	1988	1989	1990
Gross sales	$155	$172	$190
Recast pretax profit	85	90	100

PRICE $590,000

OUTLOOK Fishing is a relaxed business—and a relaxed way of life is what's for sale here. Because the pier is surrounded by 20 miles of pristine national seashore and protected by a lease that runs until the year 2013, it would take nothing short of an act of Congress to erect a competing pier nearby. Though sales have been flat, profits are outlandish, and fishing in Florida is a growth sport—up about 10% since 1985 and still rising as far out as analysts can project.

PRICE RATIONALE What we have here, claims the owner, is a fail-safe cash cow: 53% net margins without even trying (no advertising, no price hikes, no expansion of services). In a business that's so reliant on real estate values and lease terms, the earnings multiple of nearly six is hard to assess. Some insiders say four would be more typical.

PROS Fish. Sun. And plenty of opportunity to increase sales (see cash-cow line above).

CONS Mother Nature. Hurricanes, namely—though since it was opened, in 1956, the pier has weathered several and is still structurally sound. The purchase price includes special equipment to replace worn pilings, and the current owner would contract to do the job if and when necessary. Still, who wouldn't have qualms about a piece of property on which insurance is too expensive to consider?

—Alessandra Bianchi

Inc. has no stake in the sale of the business featured and cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to Business Investment Group of North Florida, in Pensacola.

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